

SENATE BILL REPORT

2SHB 1280

As Reported By Senate Committee On:
Early Learning & K-12 Education, March 28, 2007

Title: An act relating to the use of the school district capital projects funds for technology.

Brief Description: Providing for the use of the school district capital projects funds for technology.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Ericks, Jarrett, Quall, O'Brien, Strow, Morrell, Roach, Hunt, McDonald, Chase, Simpson, Haler, Moeller, McCune, Schual-Berke, Miloscia and Springer).

Brief History: Passed House: 3/12/07, 64-33.

Committee Activity: Early Learning & K-12 Education: 3/21/07, 3/28/07 [DP, DNP].

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: Do pass.

Signed by Senators McAuliffe, Chair; Tom, Vice Chair; Brandland, Eide, Hobbs, Kauffman, Oemig, Rasmussen and Weinstein.

Minority Report: Do not pass.

Signed by Senators Holmquist, Ranking Minority Member; Clements, Hewitt and Zarelli.

Staff: Eric Bratton (786-7438)

Background: By law, school districts must establish a capital projects fund for major capital projects. Money in the fund may come from a variety of sources, including bond proceeds, money from excess levies, a portion of state basic education dollars, rental and lease dollars, money from the sale of real property, and earnings from capital project fund investments.

Expenditures from the capital projects fund are restricted by law, including restrictions that vary by the source of the money in the fund. Money in the fund may be used for a variety of purposes described in law. These include the renovation or replacement of facilities and the renovation or rehabilitation of playfields, athletic fields, and other district property. The money may also be used for energy audits, cost-effective energy conservation measures, and for the purchase or installation of equipment and furniture. Vehicles cannot be acquired through these funds. Money from the capital projects fund can also be used to implement technology systems, facilities, and projects.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

School districts are making substantial capital investments in their technology systems, facilities, and projects. However, many software companies are shifting from selling software as a one-time package to a license or an extended contractual relationship requiring a subscription and ongoing payments.

Summary of Second Substitute Bill: Money in each school district's capital projects fund may be used for certain technology expenses. The expenses include the implementation, application, and modernization of technology systems, facilities, and projects. Allowable expenses include the acquisition of hardware, initial and ongoing fees for on-line applications and licensing of software, including upgrades and incidental services, and training related to the installation and integration of the technology. The monies used for the implementation, application, and modernization of technology systems, facilities, and projects are considered permitted uses of a school district's two to six-year levies.

Those schools choosing to use capital project funds for ongoing technology purposes must transfer those funds to the General Fund for accounting purposes. The Office of the Superintendent of Public Instruction (OSPI) will develop accounting guidelines for the transfers in accordance with Internal Revenue Service regulations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: We ask that the Senate pass the House version of the bill because it solves some technical issues that have arisen. This bill provides the highest amount of flexibility within spending guidelines to provide for technology expenditure. This bill is in response to the way the software industry is structuring their sales. The bill ensures that money meant for the classroom stays in the classroom and is not used for capital purchases. School districts are requesting more options to get more dollars for capital projects. This is simply another tool in the toolkit. Requiring OSPI to develop guidelines that meet IRS regulations should address the State Treasurer's concerns.

CON: We are concerned the bill is inconsistent with the rest of the chapter on capital project funds. Capital project funds are restricted to real property improvement projects. This bill will pit funding technology purchases against real property improvements. Transferring funds from the capital project funds into the General Fund indicates the funds really are not capital projects, but operating projects. Training cannot be amortized like equipment. Some technology purchases are clearly capital purchases; but other things such as licensing and ongoing training, are more operational.

Persons Testifying: PRO: Representative Ericks, prime sponsor; Grace Yuan, School Technology Coalition; Dr. Chip Kimball, Lake Washington School District; Mitch Denning, Alliance of Education Associations.

CON: Stan Bowman, American Institute of Architects Washington Council.